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FOR IMMEDIATE RELEASE

State corrects homestead credit problem, reducing homeowners' property taxes

Indianapolis, IN ... The Indiana Department of Local Government Finance is correcting a problem with the way homestead credits were calculated in eight Indiana counties – a move that will result in lower property taxes for homeowners across the state.

“We found a problem, which is relatively small right now, and we are correcting it before it becomes a big problem,” Commissioner Beth Henkel said. “That means lower property taxes for homeowners.”

The department recognized that a problem might exist when it heard from officials in Vanderburgh County that, after tax bills were calculated, homestead credits seemed lower than expected.

“That put the situation on my radar screen, but one county doesn’t make a trend,” Henkel said. “When we heard similar stories from other counties, we realized that a problem had occurred.”

The department certifies a tax rate, but counties calculate actual property tax bills. Consequently, it was not until those calculations were made in several counties that the problem became clear.

The department had calculated the effective homestead rate taking into account all the changes the legislature required. But the department instructed counties to subtract the homestead amount from the NET tax due instead of from the GROSS tax due, and that gave homeowners less of a homestead credit than they were entitled to by law.

State corrects homestead credit problem, p. 2

June 12, 2003

Seven counties –Hamilton, Howard, Jennings, Monroe, Vanderburgh, Wabash, and Wells – have printed their tax bills and an eighth, Marion, has printed about half of its bills before stopping the process in anticipation of the department’s action. Officials from the eight counties will meet with state tax officials tomorrow to work out details on how to fix the situation.

Those counties will have to reissue tax bills. Since many bills are sent electronically to mortgage holders, there will be minimal cost incurred to resend those bills. Taxpayers who have paid the spring installment will see their fall installments adjusted. Those who have paid the whole year’s taxes will receive a refund.

The state will pay printing and postage costs for seven counties affected. Wabash County’s bills have not yet been mailed.

Henkel said the problem can be corrected without exceeding the amount appropriated by the General Assembly for homestead credit.

“We feel fortunate that this truly affects a handful of counties, and that the problem was caught before more counties mailed their tax bills. We can correct this for a minimal cost,” she said.

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